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SUBJECT: Energy Ministry Official Says Sudan's Oil to Run Out by 2025

11. (SBU) Summary: On November 9, Hamad Elneel Abdulgadir, Deputy Secretary General of the Ministry of Energy and Mining (MEM) complained to Poloff that the Ministry's efforts in training Southern Sudanese for oil industry jobs had been a failure, one reason that the National Petroleum Commission (NPC) is not functioning. The Assessment and Evaluation Commission (AEC) ignores flagrant violations of the Comprehensive Peace Agreement (CPA) by the Government of South Sudan, he claimed. In light of the fact that many of Sudan's current oil producing wells will run dry by 2025, the South's desire to build an oil refinery is uneconomic and unwise. End Summary.

Few Southerners Know Oil Industry

12. (SBU) Deputy Secretary General of the Ministry of Energy and Mining (MEM) in the Government of National Unity (GNU), Hamad Elneel Abdulgadir, said the National Petroleum Commission (NPC) is suffering because of lack of professional expertise in Southern Sudan. (Note: The NPC, an independent body established by the CPA, is charged with formulating policies for the management of the oil sector and with negotiating contracts, but the NPC has only met a few times since 2005. End Note) He also accused the Government of Southern Sudan (GOSS) of appointing people to the MEM who are not qualified to work in the oil sector. As a result, the Ministry operates at substandard levels in executing oil policy, he claimed. Abdulgadir expressed frustration at the failure of attempts to train and professionalize a Southern Sudanese staff at the MEM despite what he described as extraordinary amounts of money spent on lectures and visits to oil fields. He blamed the Southern Sudanese who participated in training programs in Norway and Malaysia for failing to take full advantage of the opportunities. One reason for the failure has been the lack of trust between the parties. "They don't trust us so we must seek third parties to communicate with the South," Abdulgadir said. Both the North and South agreed to the Norwegians as consultants on oil sector issues, and the MEM has provided them with access to oil revenue records and information. Abdulgadir said he personally had trained Yousif Ramadan of the Southern People's Liberation Movement (SPLM); Ramadan is now responsible for keeping track of the oil revenues for the GOSS. Ramadan succeeded because he willingly seized every opportunity to learn the oil trade, Abdulgadir noted.

Assessment and Evaluation Commission Not Helping

13. (SBU) Abdulgadir also placed blame for problems in the petroleum sector operations on the Assessment and Evaluation Commission (AEC), which is responsible for monitoring CPA implementation. He described the AEC as a "weak organization" because it fails to do anything about what he alleged were "flagrant violations of the

Wealth Sharing Protocol of the CPA." The GOSS is putting up for re-concession some oil blocks, despite the fact that these contracts had been negotiated and signed before the CPA took effect. The AEC merely watches; it does nothing to stop the GOSS from acting, he complained. (Note: Section 4.2 of the Wealth Sharing Protocol of the CPA provides that existing oil contracts "shall not be subject to re-negotiation." End Note) In addition, he claimed, the South is creating its own oil ministry and making decisions about oil resources in violation of the CPA. Abdulgadir said he had given a number of presentations on these points to the AEC, but without response.

Current Fields Spent by 2025

¶4. (SBU) Most of Sudan's currently producing fields will be spent by 2025, Abdulgadir claimed. As a result, the South's desire to build an oil refinery is uneconomic and unwise, he said. The MEM has already advised against building the refinery because the South has not yet conducted a feasibility study. He added that the GNU State Minister of Energy and Mining Angelina Teny also warned the GOSS not to build the refinery without further study, but officials in Juba have reportedly ignored her and have green-lighted the project.

South Sudan Has No Post 2011 Oil Plan

¶5. (SBU) Abdulgadir said that with the many challenges facing Sudan, now is not the right time for the South to secede;

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nonetheless, he believes secession will occur. The South is neither politically nor economically ready for separation, he asserted, and pointed to the separation of Ethiopia and Eritrea, which he termed a disaster. Most importantly, Abdulgadir said, South Sudan has no scenario for managing oil or other economic resources post 2011.

Sudan Needs Technical Help from the United States

¶6. (SBU) He admitted that existing U.S. sanctions have had a negative impact on Sudan's oil sector; they have forced Sudan to become overly dependent on the services of Chinese companies, that do not operate at the same high technical levels as do U.S. companies. He noted that oil marketing is also restricted; Japan and Korea do not buy oil from Sudan because of U.S. sanctions. Abdulgadir concluded that technological expertise is needed to enhance oil recovery from Sudan's reserves, and to improve oil refining.

¶7. (SBU) Comment: Many of Abdulgadir's comments appeared to be based on personal opinions, with a Northern bias, but he was candid on several points. His admission that Sudan's oil reserves will be exhausted in 16 years was surprisingly frank for a GNU minister. For the record, the AEC has an advisory mandate but no enforcement authority.

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